

Message Text

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PAGE 01 EC BRU 07679 281827Z

21

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 XMB-02 IO-10 L-03

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R 281710Z AUG 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9491

INFO ALL EC CAPITALS 1021

AMEMBASSY BERN

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L EC BRUSSELS 07679

E.O. 11652: GDS

TAGS: EFIN, IT, IMF, EC

SUBJECT: EC MINISTERS OF FINANCE MEETING, AUGUST 24

REF: A) ROME 12215

B) ROME 12213

1. ON JUNE 27 AN EC COMMISSION OFFICIAL (LERMEN) BRIEFED THE MISSION ON THE EC FINANCE MINISTERS MEETING IN VENICE ALONG LINES OF REFTEL A. THERE FOLLOW A FEW ADDITIONAL POINTS THAT MAY BE OF INTEREST.

2. PRIOR TO DISCUSSION BY THE FINANCE MINISTERS, BANK OF ITALY DIRECTOR GENERAL OSSOLA REVIEWED THE US POSITION REGARDING IMF QUOTAS, IMF AND CENTRAL BANK GOLD, A FUTURE EXCHANGE RATE REGIME AND A PACKAGE DEAL. HE REPORTEDLY TOLD THE MINISTERS THAT THE US NO LONGER INSISTS THAT ONLY IN AN EXTREME EMERGENCY SITUATION SHOULD CENTRAL BANKS BE ABLE TO USE GOLD IN OFFICIAL SETTLEMENTS.

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PAGE 02 EC BRU 07679 281827Z

HOWEVER, US OFFICIALS REMAIN AFRAID THAT THE PROPOSED

ARRANGEMENTS COULD LEAD TO A SYSTEM OF REGULAR EX-CHANGE OF GOLD THROUGH CENTRAL BANKS AND MADE ALLUSION TO TRANSACTIONS IN THE EUROPEAN MONETARY COOPERATION FUND (FECOM). OSSOLA HAD THE IMPRESSION, HOWEVER, THAT AFTER HE HAD PRESENTED US OFFICIALS DETAILED INFORMATION ON FECOM, THEY WOULD ACCEPT THE EC APPROACH.

REM OSSOLA IS REPORTED TO HAVE TOLD THE EC MINISTERS THAT THE US IS NOW PREPARED TO FIND A SOLUTION ON THE GOLD AND IMF QUOTA ISSUES SEPARATE FROM THE FUTURE EX-CHANGE RATE SYSTEM IF, AND ONLY IF, ARTICLES 4 AND 8 OF THE IMF AGREEMENT CANNOT BE ENFORCED AGAINST MEMBER STATES WHICH DO NOT INTEND TO APPLY THOSE ARTICLES.

4. ACCORDING TO LERMEN, ITALIAN FINANCE MINISTER COLOMBO'S STATEMENT OF THE AGREEMENT REACHED BY THE EC FINANCE MINISTERS ON IMF QUOTAS WAS THAT THE EC WILL TRY TO FIND AN ACCEPTABLE COMPROMISE FOR ALL PARTIES CONCERNED. THE EC STILL PREFERS THAT THE US AGREE TO A QUOTA BELOW 20 PERCENT. IF THE US REFUSES THIS PROPOSITION, AN ATTEMPT WILL BE MADE TO REACH ANOTHER SOLUTION WHICH SHOULD NOT PREJUDICE THE PROBLEM OF BENELUX REPRESENTATION IN THE IMF.

5. REGARDING THE DISCUSSION ON THE REFLATIONARY PROGRAM OF THE MEMBER STATES, DESCRIBED IN THE PRESS COMMUNIQUE (SEE REFTEL B), WE UNDERSTAND THAT A MAJORITY OF THE MEMBER STATES EXPRESSED DISSATISFACTION WITH THE FRENCH AND GERMAN REFLATIONARY MEASURES. THEY THOUGHT THESE COUNTRIES COULD DO MORE NOW AND SHOULD HAVE DONE MORE EARLIER.

6. REGARDING THE ALLUSION IN THE COMMUNIQUE THAT NON-EC INDUSTRIAL COUNTRIES SHOULD ALSO REFLATE, LERMEN SAID THAT PERHAPS AT THE GROUP OF TEN MEETING AND ON OTHER APPROPRIATE OCCASIONS IN WASHINGTON, EUROPEAN OFFICIALS INDIRECTLY, IF NOT DIRECTLY, WILL SUGGEST THAT THE US TAKE FURTHER REFLATIONARY STEPS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BRIEFING MATERIALS, MINISTERIAL MEETINGS, FOREIGN POLICY POSITION, FINANCIAL PROGRAMS, CURRENCY CONTROLS, MONETARY GOLD
Control Number: n/a
Copy: SINGLE
Draft Date: 28 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU07679
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750299-0267
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975086/aaaaaeya.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 ROME 12215
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 18 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 APR 2003 by CunninFX>; APPROVED <01 OCT 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC MINISTERS OF FINANCE MEETING, AUGUST 24
TAGS: EFIN, IT, IMF, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006